

Department of Commerce (CA)

CORE PAPER-X-DIRECT TAX

SEMESTER:IV

SUB CODE:18MCC41C

M.COM(CA)

UNIT V: GST-meaning-Evolution-definition-role of GST council-models of GST in India (theory only)

REFERENCE BOOK:

- INCOME TAX LAW AND PRACTICE- GAUR AND NARANG
- DIRECT TAXES-B.B.LAL
- INCOME TAX LAW AND PRACTICE-DINKAR PAGARE
- INCOME TAX LAW AND PRACTICE -MALHOTRA

PREPARED BY: DR. E.N. KANJANA,

ASST PROFESSOR.

: Computation of Profits and Gains of Business or Profession- income from capital gain.

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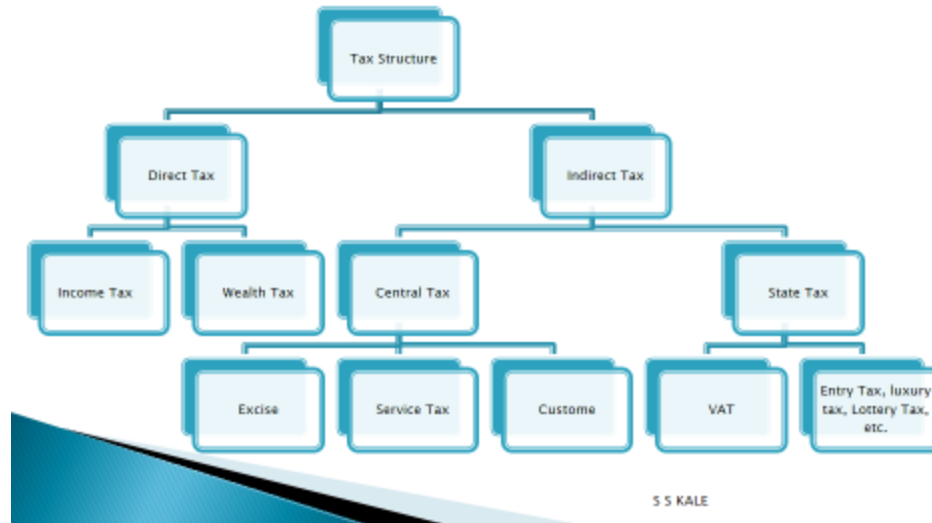
Goods and Services Tax is a tax on Goods & Services with comprehensive & continuous Chain of Set off benefit from producers to retailer point. → In other words, GST is an Indirect tax which is levy on manufacture, sale & consumption of all goods & services. → It substitute mostly all the indirect taxes like excise, VAT, Service Tax, Entertainment Tax, Luxury Tax.

1. 4. → Taxation power lies with both in the hands of CG as well as SG also. → It is expected to be levied only at a destination level/Real Consumption Place not at a various points. → There will be no distinction between goods & services. → Centre is empowered to levy GST on Goods & Services upon the Production stage, while State have the power to tax on sale of goods.
2. 5. Proposed tax structure in India Proposed Tax Structure Direct Tax Income Tax Wealth Tax Indirect Tax = GST (Except customs) Intra- state CGST (Central) SGST (State) Inter State IGST (Central)
3. 6. Components of GST: → CGST- Central goods and Service Tax. → SGST- State Goods and Service Tax. → IGST- Inter-State Goods and Service Tax.
4. 7. CGST (Central GST) • Replace central Excise Duty & service Tax. • Cover Sale transaction. • Administered by CG. SGST (State GST) • Replace State Vat, Entry Tax, Entertainment Tax, & Luxury Tax. • Cover taxing of Services • Administered by SG IGST(Inter-State GST) • Levied on all inter – state supplies of goods or services which are sold or transferred. • Applicable to imports of goods or services.
5. 8. CGST (Central GST) • Further it is expected that the duty and tax paid on closing stock would be available as credit. SGST (State GST) • Rate can be a bit higher than CGST rate . • It is expected that the duty and tax paid on closing stock would be available as credit. IGST(Inter-State GST) • It is expected that the duty and tax paid on closing stock would be available as credit.
6. 9. Applicability of GST regime: → GST on Exports is zero rated, but on the other hand in “import” IGST will be levied. → GST does not apply on Alcohol & petroleum products. → But in the mean time tobacco products should be in the frame of GST. → In fact, Gov. Can levy extra % of tax apart from GST .
7. 10. → Full exemption is applicable on basic necessities goods like Flour, rice, pulses, textiles, buildings, education & healthcare etc. → Gross Turnover of Goods up to Rs. 1.50 cr may be assigned exclusively to the states. → Gross Turnover of Services up to Rs. 1.50 cr may be assigned exclusively to the center. → Assessed can have an option to pay tax as per composition scheme or may join the GST law whose turnover is up to Rs. 1.50 cr . → But,

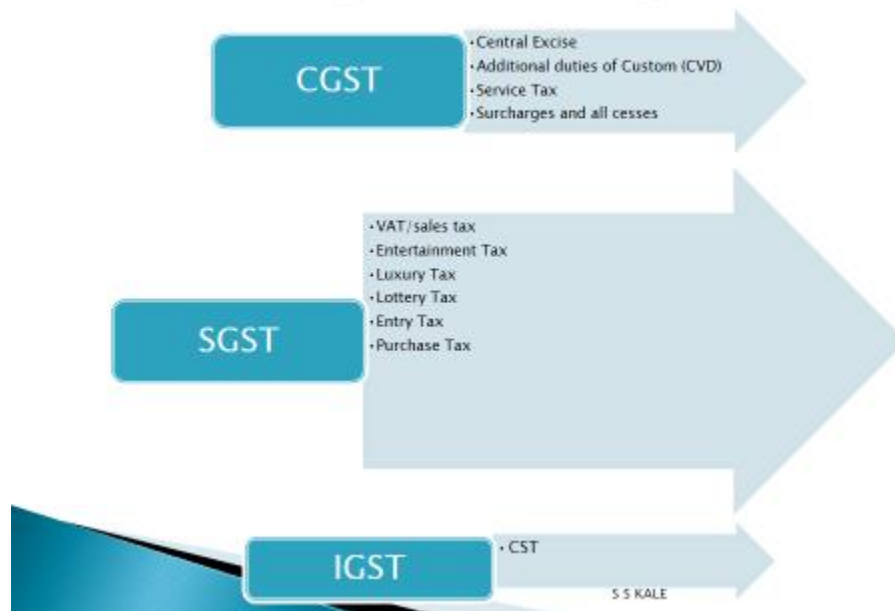
those assessed whose turnover is and above Rs. 1.50 Cr will need to be within the framework of GST.

8. **11. Rates under GST:** → No GST on necessities. → 5% GST on agricultural, medicines and daily needs products. → 12% GST on utility items like salt, biscuits, computer parts etc. → 18% GST on manufacturing and services like air travelling, hotel stay, cars etc. → 28% GST on luxury items like expensive cars, expensive perfumes, stay at 5 star hotels etc.
9. **12. Benefits under GST:** → Reduces Transaction cost. → Eliminates the cascading effect of taxes. → Single taxation point. → Reduces corruption. → Uniform tax rate . → Cheaper exports. → Reduction in purchase price. → Transparency.
10. **13.** → Increased collection of CGST & IGST. → Increased FDI. → Growth in overall Revenues. → Simplified tax laws. → Increase in exports & employments. → GDP Growth Go Up by about 3%. → International competitiveness Go Up by about 8%. → Common market. → Prevention of unhealthy competition among states. → Increasing the tax base & raising compliance.
11. **14. Impact of GST: Automobiles Industries** → Rate of Tax is expected b/w 20-22% as compared to 30-47% in current scenario. → Drive overall demand & reduce cost for end user by about 10%. → Transportation time & overall cost will be reduced. → Cost of Logistics will be reduced in quantity by almost 30-40% Key beneficiaries : Maruti Suzuki, Hero MotoCorp, Bajaj Auto, Eicher Motors, Ashok Leyland
12. **15. Consumer durables:** → Reduction of the Price gap between organized & unorganized sector. → Warehouse/logistics costs will be curtailed. → Improve the operational profitability by almost 300-400 bps. Key beneficiaries: Havells, Voltas, Blue Star, Bajaj Electricals, Hitachi
13. **16. Logistics:** → Boost demand for high tonnage trucks. → Overall reduction in transportation costs. → Improving growth opportunities for the organized players. → Facilitate smooth inter-state flow of Goods. Key beneficiaries : VRL Logistics, GATI Ltd, Blue Dart, Snowman Logistics
14. **17. Banking & Financial services:** → Under GST , effective tax rate is expected to increase to 18- 20% as 14% earlier. → Moderate increase in the cost of financial services like loan processing fees, debit/credit charges, insurance premium etc. IT: → Tax Rate is expected to increase to 18-20%. → Legal actions around taxability of pre-recorded software will probably end under GST Regime.
15. **18. Textile /Garments:** → May be negatively impacted in case the output tax rate is high. → No clarity whether a lower rate will continue in the proposed Tax regime. → No clarity about the duty drawback benefits. Key Players : Arvind, Raymond, Page Industries Media: → Tax rate of around 18-20% as compared to 20-21%. → Post GST, we expect concessional rate in news & Print sector. Key beneficiary : Dish TV
16. **19. Conclusion:** → GST being a dynamic & comprehensive legislation which shall replace most of the Indirect Taxes of our Country. → Since it is a major indirect tax reform in India, there would be new legislation and procedures. → Most concerns expressed about the implementation of GST can be divided into 3 categories : I) Design Issues II) Operational Issues III) Infrastructure Issues
17. **20.** → For GST to be effective there should be identical GST laws/procedures across states as well as the centre. → In the mean time ,those state who are not opposing against the implementation of GST may want assurances that their existing revenues will be protected. → GST is the best example of cooperative federalism. → Together we will take India to new heights of progress. → In Nutshell , it is a biggest tax reform till date in our country.

Pre-gst Tax structure in India



Subsuming of Existing Taxes



Limitations of current Tax regime :

5. Goods Vs. Services dilemma ?

License
Software in
CD



Sale of Food
In
Restaurant



Limitations of current Tax regime :

4. Lack of Uniformity



What is GST?

One Tax
For

Manufacturing

Trading

Services



ONE NATION: ONE TAX

E way bill

- ▶ In Maharashtra upto 1 lakh not required.
- ▶ For inter state, e way bill required once you cross transportation of Rs 50000
- ▶ There are some items which are exempted from having e way bill
- ▶ It has to be generated online.
- ▶ Eway bill has to accompany the goods in transit.